



U.S. Department of Agriculture
Office of Inspector General
Northeast Region

Audit Report

**Food and Nutrition Service
National School Lunch and
Breakfast Programs
Attendance and Meal Count Analysis
Philadelphia School Food Authority
Philadelphia, Pennsylvania**

Report No. 27010-31-Hy
June 2004



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Northeast Region

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Beltsville, Maryland 20705-5300



DATE: June 25, 2004

REPLY TO

ATTN OF: 27010-31-Hy

SUBJECT: Food and Nutrition Service, National School Lunch and Breakfast Programs,
Attendance and Meal Count Analysis, Philadelphia School Food Authority,
Philadelphia, Pennsylvania

TO: John Chandler
Acting Regional Administrator
Mid-Atlantic Region
Food and Nutrition Service

This report presents the results of the subject audit. Your May 7, 2004, response to the draft report is included as exhibit F with excerpts and the Office of Inspector General's (OIG) position is incorporated into the relevant sections of the report.

We agree with your management decisions for Recommendation Nos. 1, 3, 4, 9, 11, and 13. Management decisions have not yet been reached for Recommendation Nos. 2, 5, 6, 7, 8, 10, and 12. The Findings and Recommendations section of the report includes a description of the status of the management decision for each recommendation. Please follow your agency's internal procedures in forwarding documentation for final action to the Office of the Chief Financial Officer (OCFO).

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective actions taken or planned and the timeframes for implementation for those recommendations for which a management decision has not yet been reached. Please note that the regulation requires a management decision to be reached on all recommendations within 6 months of report issuance, and final action to be taken within 1 year of each management decision. Correspondence concerning final actions should be addressed to the OCFO.

//s//

REBECCA ANNE BATTS
Regional Inspector General
for Audit

Attachment

Executive Summary

Food and Nutrition Service National School Lunch and Breakfast Programs Attendance and Meal Count Analysis, Philadelphia School Food Authority, Philadelphia, Pennsylvania (Audit Report No. 27010-31-Hy)

Results in Brief

This report presents the results of the Office of Inspector General's (OIG) review of the National School Lunch Program (NSLP) and School Breakfast Program (SBP) attendance and meal count operations in the School District of Philadelphia. Our objective was to determine whether the School District of Philadelphia complied with Federal regulations for ensuring the accuracy of meal counts prior to the submission of monthly claims for reimbursement. The School District of Philadelphia serves as the local school food authority (SFA) within the Commonwealth of Pennsylvania's Department of Education, which serves as the State agency (SA) funded by the U.S. Department of Agriculture's (USDA) Food and Nutrition Service (FNS). During school year (SY) 1999/2000, the SFA claimed over 29 million NSLP and SBP meals served and received reimbursement of over \$45 million from these programs. Our review was self-initiated.

Our review of the SFA's NSLP and SBP attendance and meal count operations during SY 1999/2000 found that SFA did not comply with Federal regulations for ensuring the accuracy of meal counts prior to the submission of monthly claims for reimbursement. Specifically, the SFA:

- claimed 241,852 meals served in excess of students in attendance, and claimed 147,954 meals in the incorrect reimbursement category;
- claimed 109,778 more free and reduced-price meals than could be supported by approved applications and direct certifications; and
- did not effectively monitor each school's meal counting and claiming system to provide reasonable assurance that feeding sites submitted accurate meal claims.

These conditions occurred, in part, because the SFA's operating policies and procedures did not comply with Federal regulations requiring specific management controls and monitoring to ensure the accuracy of attendance and meal count operations, and that students with pending applications be considered eligible only for paid meals until eligibility for free or reduced-price meals is determined. As a result, SFA received excess reimbursements of \$844,065 for claiming errors and meals claimed in excess of attendance.

In March 2003, the SFA indicated to us that it had taken corrective actions to strengthen controls over its NSLP and SBP meal count operations. In an effort to understand the corrective actions, we performed a review of the

SFA's meal claims and its edit check¹ for November 2002. Our review found that the SFA had revised its policy regarding eligibility determination to be in compliance with Federal regulations. The policy now requires that students with pending applications be considered eligible only for paid meals until determined eligible for free or reduced-price meals. Although SFA believes that it had taken appropriate action to correct other weaknesses described in our report, we found that those weaknesses still persist. Specifically, we found no evidence of improved supervisory review or other management controls to ensure that the edit check was performed correctly and that needed adjustments had been made. As a result, we found additional overclaims of \$23,359 for November 2002 (see Exhibit A). In this regard, we continue to believe that our recommendations for ensuring the accuracy of SFA's meal counts prior to the submission of the monthly claims for reimbursement should be implemented.

In our exit conference held on March 4, 2004, SFA officials asserted that the information concerning attendance that was originally provided to the auditors for SY 1999/2000 was incorrect. We advised the SFA officials that we would consider additional or revised data, to the extent that the data could be corroborated. This report incorporates the changes made as a result of portions of revised data that we were able to verify. Some data provided was not corroborated and some conflicted with other information available to us. The SFA confirmed the accuracy of November 2002 attendance data previously provided.

Recommendations In Brief

We recommend, in summary, that FNS require the SA to direct the SFA to:

- develop and implement policies and procedures, in accordance with Federal regulations, for performing lunch and breakfast edit checks;
- develop and implement policies and procedures, in accordance with Federal regulations, requiring that students with pending applications be considered eligible only for paid meals until eligibility for free or reduced-price meals is determined; and
- strengthen the SFA's onsite monitoring of each school's meal counting and claiming system by developing and implementing more effective controls that address the weaknesses described in our report.

In addition, we recommend that FNS recover excess reimbursement of \$844,065 for the meals claimed in excess of attendance and in the incorrect claiming category. Further, we recommend that FNS recover excess

¹ The edit check, required under 7 CFR § 210.8 (a)(3), compares each school's daily count of free, reduced-price, and paid meals against the product of the number of students in the school that are currently eligible for such meals, times an attendance factor.

reimbursements of \$23,359 found in our review of the SFA's meal claims and edit check for November 2002.

FNS Response

FNS generally agreed with the findings and recommendations outlined in our report. FNS' comments did not consider the SFA's response since the agency received it too late, given the deadline for commenting on the draft audit report. The FNS response incorporates the SA response and is included in its entirety as Exhibit F to this report.

The FNS response cited a number of planned actions to improve the SFA's accountability over meal counting and claiming. The SA indicated plans for performing Coordinated Review Effort (CRE) work in Philadelphia in conjunction with FNS staff. Additionally, FNS will perform an expanded review of the SFA's edit check procedures.

In response to the recommendations for monetary recovery from the SFA, FNS agreed that is appropriate to recover excess reimbursement. However, the agency also recognized the merit of the SA's suggestion to give the SFA the option of investing the excess reimbursement in a school district-wide computerized Point of Sale (POS) system. FNS stated that this could be a long-term solution to the SFA's accountability problems. FNS also stated that the SFA's performance post-POS system implementation should be evaluated before a decision is made not to recover excess reimbursement.

OIG Position

In response to recommendations in this report, FNS and the SA recognized the need for improved controls over the SFA's meal counting and claiming system. FNS' response provides measures that it believes would ensure that needed controls are implemented by the SFA; however, as identified in our audit, the SFA did not implement corrective actions reported in past reviews performed by FNS and the SA. FNS and SA followup is needed to ensure full implementation of our recommendations related to the SFA.

Since our exit conference with the SFA on March 4, 2004, we considered revised attendance information provided by the SFA. We incorporated the information that could be corroborated into our draft report and made necessary adjustments to the recommendations for recovery of excess reimbursement. In addition, we considered the SFA's supplemental or revised information received after the date of the FNS response in preparing the final report. This data did not change our overall conclusions, in part because it did not include necessary supporting documents.

The FNS response was adequate for management decision on Recommendations No. 1, 3, 4, 9, 11, and 13. Details of the information needed to reach management decision on the remaining recommendations are included in the **OIG Position** section for each recommendation.

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Abbreviations

CFR	Code of Federal Regulations
CRE	Coordinated Review Effort
FNS	Food and Nutrition Service
NSLP	National School Lunch Program
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
SA	State Agency
SBP	School Breakfast Program
SDOP	School District of Philadelphia
SFA	School Food Authority
SY	School Year
USDA	U.S. Department of Agriculture

Background and Objective

Background

On June 4, 1946, Congress passed the National School Lunch Act (42 U.S. Code 1751) that authorizes Federal school lunch assistance through the National School Lunch Program (NSLP). The Child Nutrition Act of 1966, authorizes payments to States to initiate, maintain, and expand nonprofit breakfast programs in schools through the School Breakfast Program (SBP). The purpose of these programs is to safeguard the health and well being of the Nation's children by providing them with nutritious foods and to encourage the domestic consumption of agricultural commodities and other foods. This is accomplished by assisting States, through grants-in-aid and other means, in providing an adequate supply of food and facilities for the establishment, maintenance, operation, and expansion of nonprofit school lunch and breakfast programs.

Responsibilities for Administering NSLP and SBP

The Food and Nutrition Service (FNS) is the U.S. Department of Agriculture (USDA) agency responsible for administering the NSLP and SBP. FNS is headquartered in Alexandria, Virginia, and has seven regional offices nationwide. The FNS Mid-Atlantic Regional Office, located in Robbinsville, New Jersey, is responsible for monitoring and overseeing operations in Pennsylvania. Within the Commonwealth of Pennsylvania, the Department of Education serves as the State agency (SA) and is responsible for overseeing NSLP and SBP operations in Philadelphia, Pennsylvania. Within Philadelphia, the School District of Philadelphia's Food Services Division serves as the local school food authority (SFA) responsible for operating the NSLP and SBP in accordance with Federal regulations. Each SA is required to enter into written agreements with FNS to administer the programs and with the local school districts to oversee day-to-day operations. The Philadelphia SFA administered the NSLP and SBP in 262 schools using 306 separate feeding sites as of June 2000.

Federal Requirements

The general NSLP requirements are codified in Title 7, Code of Federal Regulations (CFR) § 210. Requirements for determining eligibility for free and reduced-price meals and free milk are codified in 7 CFR § 245 and general SBP requirements are codified in 7 CFR § 220. Requirements for internal controls at SFAs to ensure the accuracy of meal counts prior to the submission of monthly claims for reimbursement to the SA are codified in 7 CFR § 210.8. These controls include onsite monitoring of each school's:

- meal counting and claiming system;
- comparison of the number of daily free, reduced-price, and paid meal counts against data, which will help identify meal counts in excess of the number of free, reduced-price and paid meals served each day to students in attendance and eligible for such meals; and
- system for following up on those meal counts, which suggest the likelihood of lunch counting problems.

Alternative procedures, authorized by the Child Nutrition and Special Supplemental and Nutrition Program for Women, Infants, and Children Reauthorization Act of 1989 (Public Law 101-147), allow the Secretary of Agriculture to reduce program paperwork by conducting pilot projects to test alternatives to the requirements for annual application and daily meal counting, by category.

FNS provides donated foods to SFAs to assist in operating the nonprofit feeding programs in accordance with 7CFR § 250.

Procedures for Determining Eligibility for Free or Reduced Meals

Eligibility determinations for free or reduced-price meals can be made under traditional or alternative procedures. Under traditional procedures, schools must collect applications on an annual basis from households of enrolled students and make annual eligibility determinations for free or reduced-price meals. These schools must also count the number of free, reduced-price, and paid meals served at the point-of-service on a daily basis. In June 2000, the SFA had 66 schools that operated 77 feeding sites under traditional procedures, and 195 schools that operated 229 feeding sites under alternative procedures. The SFA's remaining two schools had mixed operations, i.e., one feeding site operated under traditional procedures and one site operated under alternative procedures.

The SFA's Procedures for Determining Eligibility: FNS approved the Philadelphia SFA's proposal to use a socio-economic study along with direct certification procedures in FNS' *Eligibility Guidance for School Meals Manual*, dated August 1991, to establish the eligibility for students who attend selected schools, rather than take annual applications. The study statistically projected the percentage of students eligible for free, reduced-price, and paid meals for each school involved in a pilot. The percentages are referred to as "established claiming percentages." The SFA applies each school's established claiming percentages to daily meal counts to determine the number of free, reduced, and paid meals to claim. This change in procedures provided cost savings to the SFA because it eliminated the work involving applications, the application verification process, meal ticket

printing and retention, taking and recording meal counts by category, and the cash collection activities of traditional operations. In addition, FNS did not permit the SFA to charge any student for meals because individual eligibility determinations were not made and because of the cost savings realized. These procedures and the schools that operate under them are referred to as “Universal Free.” The alternative procedures have been employed at the SFA since 1991.

During SY 1999/2000, the SFA claimed over 29 million NSLP and SBP meals served and received reimbursement of over \$45 million from these programs.

Objective

The objective of our review was to determine whether the School District of Philadelphia (SDOP) complied with Federal regulations for ensuring the accuracy of meal counts prior to the submission of monthly claims for reimbursement.

Findings and Recommendations

Section 1. Required Management Controls Not In Place To Prevent Invalid Program Payments

During SY 1999/2000, the SFA did not comply with Federal regulations for ensuring the accuracy of meal counts prior to the submission of monthly claims for reimbursement. Specifically, the SFA:

- claimed 241,852 meals served in excess of students in attendance, and claimed 147,954 meals in the incorrect reimbursement category;
- claimed 109,778 more free and reduced-price meals than could be supported by approved applications and direct certifications; and
- did not effectively monitor each school's meal counting and claiming system to provide reasonable assurance that feeding sites submitted accurate meal claims.

These conditions occurred, in part, because the SFA's operating policies and procedures did not comply with Federal regulations requiring specific management controls and monitoring to ensure the accuracy of attendance and meal count operations, and that students with pending applications be considered eligible only for paid meals until eligibility for free or reduced-price meals is determined. Some of these conditions had been identified by FNS and the SA in their reviews of the SFA in which they made recommendations for corrective action; however, the SFA did not properly implement them. As a result, the SFA received excess reimbursements of \$844,065 for claiming errors and meals claimed in excess of attendance. In addition, based on our review of the SFA's meal claims and edit check for November 2002, we identified additional overclaims of \$23,359.²

Finding 1:

Controls Are Needed to Prevent Overclaims

During SY 1999/2000, the SFA claimed 241,852 meals served in excess of students in attendance, and claimed 147,954 meals in the incorrect category. This occurred, in part, because the SFA's operating policies and procedures did not comply with Federal regulations requiring an average daily attendance to meal count edit check, by category, by school, to provide reasonable assurance that each school was not claiming more meals served than students in attendance, by category. As a result, the SFA received excess reimbursement of \$654,935.³

² See exhibit A – Summary of Monetary Results.

³ See exhibit A – Summary of Monetary Results.

Federal regulations⁴ require SFAs to establish internal controls to ensure the accuracy of meal counts prior to submission of the monthly claims for reimbursement. One of the required controls is an edit check⁵ to compare a school's daily count of free, reduced-price, and paid meals against the product of the number of students in the school currently eligible for free, reduced-price, and paid meals times an attendance factor. When the edit check identifies more meals served than students in attendance, the SFA should followup⁶ with the school to correct the claim before the SFA's monthly claim is submitted to the SA. This control is required for any SFA having Performance Standard 1⁷ meal counting and claiming violations in its most recent SA administrative review. The Coordinated Review Effort report of the Philadelphia SFA's NSLP and SBP operations, performed in March 1995 by FNS and the SA, disclosed Performance Standard 1 meal counting and claiming violations. The review recommended that the SFA perform the required edit check, including use of an attendance factor. In July 1995, the SFA responded that it had implemented an edit check.

Our review of the SFA's controls over meal counting and claiming found that the SFA did not perform the required edit check; however, the SFA performed some basic edit checks over the meal claim and attendance data in its computer system and indicated that it performed the required edit check, which it referred to as an "audit check." We found that the SFA's edit check did not meet 7 CFR § 210.8(a)(3), which requires that an attendance factor be included to adjust for absenteeism, by school. In addition, the SFA did not followup with schools that were shown to have excessive meal claims, and had no documentation showing whether corrective actions had been made. In this regard, our review found overclaims occurring on several different days, indicating that the SFA had not taken corrective actions.

To determine the effectiveness of the SFA's edit check, we reviewed meal counts and meal claims data submitted by the SFA for 229 Universal Free sites and 77 Traditional feeding sites. We analyzed daily attendance and meal counts, by category, by school. In addition, we compared the number of meals claimed to the number of students in attendance by eligibility category each serving day for each meal count reporting site. Our comparison of daily counts and attendance information for Traditional feeding sites considered the eligibility status of each student (free, reduced-price, and paid) according to school yearend data. We could not evaluate changes in eligibility status throughout the year because the SFA overwrote its computerized monthly eligibility records with new data. In accordance with 7 CFR § 210.23(c), school food authorities should retain their records for a period of 3 years after submission of the final claim for reimbursement. At Universal Free feeding sites we compared total attendance to total meals claimed each day. We

⁴ Title 7 CFR § 210.8(a), dated January 1, 1999.

⁵ Title 7 CFR § 210.8(a)(3), dated January 1, 1999.

⁶ Title 7 CFR § 210.8(a)(4), dated January 1, 1999.

⁷ Performance Standard 1 is a measure of compliance with Program regulations related to certification, counting, and claiming.

found that the SFA's edit check did not preclude meal claims on non-serving days, meal claims at an incorrect Universal Free claiming rate, and meal claims at schools with no attendance records to document that students were present. Specifically, 241,852 meals had been claimed in excess of attendance, and 147,954 meals had been claimed in the incorrect category. In addition, we found problems with lunch claims for at least 1 month at 175 of the 229 Universal Free feeding sites, and at 67 of the 77 Traditional feeding sites. Regarding breakfast claims, we found problems for at least 1 month at 117 of the 229 Universal Free feeding sites and at 40 of the 77 Traditional feeding sites (see exhibit C for a listing of the overclaims by error type). The following examples demonstrate the conditions that we found:

- *169,432 meals were overclaimed.* 144 Universal Free sites claimed 143,738 more lunches, and 63 Universal Free sites claimed 25,694 more breakfasts served than students in attendance. For example, on May 12, 2000, feeding site #242 claimed 321 lunches served; however, only 270 students were in attendance. This represents an overclaim of 51 lunches. Similar overclaims occurred at this site during the course of 165 days.
- *113,753 meals were claimed in the incorrect category.* 66 Traditional sites claimed 101,956 more lunches, and 35 Traditional sites claimed 11,797 breakfasts in the incorrect category. Although enough students were in attendance to have received these meals, not enough students in the free or reduced-price category were in attendance to have received the meals. For example, on April 28, 2000, feeding site #836 claimed 184 free, 43 reduced-price, and 51 paid lunches served. On that date, 147 free category, 62 reduced-price category, and 139 paid category students were present. This represents a misclassification of 37 free meals and 19 reduced-price meals that should be in the paid category. Similar overclaims occurred at this site during the course of 152 days.
- *7,299 meals were claimed on non-serving days.* 14 Universal Free and 3 Traditional feeding sites claimed 7,299 meals served on non-serving days. For example, on January 17, 2000 (Martin Luther King Day), Universal Free site #502 claimed 2,936 lunches served. This was not a school day. This type of error occurred in 27 instances for lunches, and in 28 instances for breakfasts SFA-wide.
- *59,778 meals were claimed with no supporting attendance documentation.* One Traditional and two Universal Free sites had no attendance records to support their meal claims. We requested attendance data for Universal sites #538 and #583, and Traditional site #680. No documentation was provided to support students in attendance for us to evaluate the meal counts. At those sites we disallowed 35,340 lunches and 24,438 breakfasts because no attendance documentation supported the meal claims.

- *32,496 free and reduced-price lunches and breakfasts were misclassified.* 58 Universal Free sites applied incorrect claiming percentages when allocating the count of free, reduced-price, and paid breakfast categories. This error caused 32,496 meals to be misclassified. For, example, for January 2,000; Universal Free site #157 counted 1,670 breakfasts served. The SFA allocated this count by applying 69.2 percent to the free category and 16.6 percent to reduced-price category. The correct allocation percentages were 47.8 percent to the free category and 13.4 percent to the reduced-price category. This error overstated the free count by 358 breakfasts and the reduced-price count by 53 breakfasts.
- *77 more meals were served than students in attendance.* Two feeding sites (one Traditional and one Universal Free) had combined attendance records and claimed 77 more meals served than students in attendance. Our testing was limited to determining whether total lunches claimed exceeded students in attendance. For example, on November 23, 1999, Universal Free site #112 and Traditional site #192 claimed 857 meals served. On this date the combined attendance was 788 students, representing an overclaim of 69 lunches.

The above overclaims occurred because the SFA did not:

- perform the required edit check that compares each school's daily count of free, reduced-price, and paid meals against the product of the number of students in the school currently eligible for free, reduced-price, and paid meals, respectively, times an attendance factor;
- perform followup at the school level regarding instances where more meals have been claimed than the count of students in attendance, by category, on any given day;
- use proper claiming percentages at Universal Free sites;
- limit school claims to the lesser of counts submitted by the school or the edit check limiting count unless documentation supports the school's original count;
- retain historical records of each student's monthly eligibility for meal service (free, reduced-price, or paid) needed for performing daily edit checks of Traditional site meal claims before submitting the corresponding monthly claim for reimbursement to the SA; and
- document attendance and meal count data for Traditional sites separately from Universal Free sites to ensure the accurate evaluation of claims in the edit check process.

As a result, the SFA overstated its allowable meal counts and received excess NSLP and SBP reimbursement of \$654,935 at 258 of 306 feeding sites.

In March 2003, the SFA indicated to us that it had taken corrective actions to strengthen controls over its NSLP and SBP meal count operations. In an effort to understand the corrective actions, we performed a review of the SFA's meal claims and its edit check for November 2002. Although, the SFA believes that it had taken appropriate action to correct the weaknesses described in our report, we found that the weaknesses still persist. For example, we found that the SFA used a computer program to run the required edit check; however, the SFA did not followup to make needed changes when daily counts were "flagged" in certain circumstances. In addition, we found no evidence of improved supervisory review or other management controls to ensure that the edit check was performed correctly and that needed adjustments had been made.

Prior reviews performed by FNS and the SA found that the SFA had not properly implemented corrective actions in response to their recommendations related to the edit check. Specifically, a review performed by FNS and the SA in March 2001, showed that the SFA had not implemented the required edit check that was reported in the 1995 review. Our review of November 2002 data, found that the SFA had still not properly implemented the required edit check. As a result, we found additional overclaims of \$23,359 for November 2002. In this regard, we continue to believe that our recommendations for ensuring the accuracy of the SFA's meal counts prior to submission of the monthly claims for reimbursement should be implemented.

In our exit conference held on March 4, 2004, SFA officials asserted that the information concerning attendance that was originally provided to the auditors for SY 1999/2000 was incorrect. We incorporated the changes made as a result of the data that we were able to verify. For example, we were told that attendance data for Traditional sites #801, #801A, and #809 was documented under SFA #801. We were able to corroborate that information. As a result, we adjusted the number of meals claimed with no supporting attendance documentation for SFA #809. Some other data provided after our exit conference with the SFA was not corroborated and conflicted with other information available to us. The SFA confirmed the accuracy of November 2002 attendance data previously provided.

Recommendation No. 1

Require the SA to direct the SFA to strengthen controls over the SFA's meal counting and claiming system by:

- a. Performing the required edit check that compares each school's daily count of free, reduced-price, and paid meals against the product of the number of students in the school currently eligible for free, reduced-price, and paid meals times an attendance factor. For example, the SFA can compare the daily count within each meal category against each school's daily attendance records, which document each child's eligibility category and attendance and can be used to establish the maximum number of claimable meals, by category, each day;
- b. performing followup at the school level regarding instances where more meals have been claimed than the count of students in attendance, by category, on any given day;
- c. correcting its claiming percentages for Universal Free sites; and
- d. limiting school claims to the lesser of counts submitted by the school or the edit check limiting count unless documentation is obtained to support the school's original count.

FNS Response.

The SA has indicated that it requires all SFAs in the Commonwealth to sign the "Policy Statement Between the School Food Authority and the Pennsylvania Department of Education, Division of Food and Nutrition." Since this document requires the SFA to implement required edit checks and comply with federal program requirements the SA has fulfilled the audit recommendation. However, to reinforce program requirements with the SFA, we will direct the SA to execute another SA-SFA agreement for School Year 2004-2005, to be accomplished by July 31, 2004. Further, we will recommend to the SA that the SFA initial all pertinent provisions of the agreement that relate to the audit findings and recommendations. Specifically, we will recommend that the SA highlight provisions related to the above items: a. performing edit checks, b. performing followup at the school level when more meals have been claimed than the count of students in attendance, by category, on any given day, and d. limiting school claims to the lesser of counts submitted by the school or the edit check limiting count unless documentation is obtained to support the school's original count.

Further, by July 31, 2004, FNS will extend the authority for the SDOP to continue the universal feeding pilot through School Year 2004-2005, pending the outcome of our work with the U.S. Census Bureau to identify an alternative methodology for developing claiming percentages. Our letter to

the SA will advise that the SDOP's approval for this extension is contingent upon the use of correct claiming percentages. We will direct the SA to include such notification in its letter to the SFA.

Finally, the SA has indicated that in conjunction with FNS staff, it will be performing Coordinated Review Effort (CRE) work in Philadelphia during May 2004. In addition to the CRE work identified by the SA, FNS will perform an expanded review of the SFA's edit check procedures. We expect that work on the CRE, including the SFA's response, will be completed by January 31, 2005, and that work on a follow-up review, if necessary, will be completed by July 31, 2005.

We request management decision based on the above planned actions.

OIG Position.

We agree with FNS' proposed management decision. To reach final action for this recommendation, FNS should provide the Office of the Chief Financial Officer (OCFO) (1) a copy of the executed SA-SFA Agreement for SY 2004/2005, to include SFA initials on pertinent provisions as stated in the FNS response; (2) a copy of the notification from the SA to the SFA advising that approval for continuation of the Universal feeding pilot is contingent upon the use of correct claiming percentages; and (3) a copy of the completed CRE, including the SFA's response.

Recommendation No. 2

Require that the SA direct the SFA to implement adjustments to its claims for reimbursement subsequent to SY 1999/2000, as appropriate, and that FNS recover the excess reimbursements.

FNS Response.

FNS is exploring the feasibility of this recommendation, given limited resources. We fully expect that there should be FNS and/or SA involvement in this process to ensure that it is performed correctly. We request further discussions with OIG concerning how this recommendation could be implemented.

OIG Position.

We are prepared to take part in further discussions as needed to determine how this recommendation can best be implemented. As indicated in the methodology section of our report, we developed computer programs to compare daily attendance information with daily meals claimed by each school to help pinpoint weaknesses in the SFA's meal counting and claiming system and to identify meal overclaims. We are willing to share these programs.

To reach management decision on this issue, FNS should provide a time-phased plan for the identification and recovery of any additional overpayments to the SFA subsequent to SY 1999/2000, as appropriate.

Recommendation No. 3

Require the SA to direct the SFA to retain historical records of each student's monthly eligibility for meal service (free, reduced-price, or paid) for a period of 3 years, in accordance with 7 CFR § 210.23(c), and use the records to perform daily edit checks of Traditional site meal claims before submitting the corresponding monthly claim for reimbursement to the SA.

FNS Response.

The SA indicated that the SFA adjusted its computer program to allow retrieval of eligibility records for any given month. In March 2002, the SA and FNS verified that this problem had been corrected in the buildings reviewed. In addition, we will direct the SA to highlight this requirement in its newly executed SA-SFA agreement for SY 2004-2005.

We request management decision based on the above planned actions.

OIG Position.

We accept FNS' management decision, as indicated in FNS' response to recommendation 1. To achieve final action, FNS needs to provide to OCFO, a copy of the executed SA-SFA agreement for SY 2004-2005 containing the requirement for retrieval of eligibility records in any given month.

Recommendation No. 4

Validate that corrective actions reported by SFA in response to reviews performed by FNS and the SA have been implemented and are effective.

FNS Response.

We concur with the SA that it has exceeded federal review requirements for the SDOP. During our joint CRE of the SDOP in May 2004, FNS will focus on the issues identified by the audit and the efficacy of the SDOP's corrective action. We expect that work on the CRE, including the SFA's response, will be completed by January 31, 2005, and that work on a follow-up review, if necessary, will be completed by July 31, 2005.

We request management decision based on the above planned action.

OIG Position.

We agree with FNS' proposed management decision. To reach final action for this recommendation, FNS should provide the OCFO a copy of the CRE, to include conclusions about the efficacy of the SFA's corrective actions and a plan for improvement, if the SFA's corrective actions are not found to be effective.

Recommendation No. 5

Require that the SA followup by performing onsite reviews, as determined necessary by FNS, to ensure that the SFA implements the required edit check and limits school claims to the lesser of the meal count or the edit check limiting count and retains documentation supporting the accuracy of the original count. Questioned costs identified through this process should be recovered from the SFA, and testing should be expanded to determine the extent of errors in the event that additional noncompliance with the required edit check process is identified.

FNS Response.

As documented in the annual Federal-State agreement, FNS requires that the SA comply with all program requirements, including those related to SFA monitoring. FNS will work with the SA during the CRE scheduled for May 2004 to evaluate the SFA's edit check procedures and to ensure the validity of the SFA's claims for reimbursement. If CRE work identifies violations exceeding performance standard thresholds, the SA has advised of its intent to perform follow-up work. We expect that work on the CRE, including the SFA's response, will be completed by January 31, 2005, and that work on a follow-up review, if necessary, will be completed by July 31, 2005. In addition, the SA has established a two-year review cycle for the SDOP based on the size of this SFA and in recognition of prior problems.

We request management decision based on the above planned action.

OIG Position.

To achieve management decision, FNS needs to include the recovery of questioned costs and the expansion of testing should noncompliance with the edit check process be identified. In addition, FNS needs to ensure that an adequate representation of schools is tested, as it determines necessary, to provide reasonable assurance of the proper use of the required edit check process throughout the SDOP.

Recommendation No. 6

Direct the SA to follow procedures outlined in 7 CFR § 210.19(c), dated January 1, 2003, to recover the excess reimbursement of \$654,935 from the SFA.

FNS Response.

We agree that it is appropriate to recover excess reimbursement. However, we also recognize the merits of the SA's suggestion to give the SFA the option of investing the excess reimbursement in a school district-wide computerized Point of Sale (POS) system. We believe this could be a long-term solution to the SFA's accountability problems. However, in addition to implementing a POS system, we believe the SFA's performance post-POS system implementation should be evaluated before a decision is made not to recover excess reimbursement.

OIG Position.

To reach management decision for this recommendation, FNS should provide a copy of the bill for recovery from the SFA of the excess reimbursement. We agree with FNS that a school district-wide POS system could be a long-term solution to the SFA's accountability problems. We also agree with FNS that the SFA's performance post-POS system implementation should be evaluated prior to any potential decision to waive or otherwise offset recovery of the excess reimbursement.

Recommendation No. 7

Direct the SA to follow procedures outlined in 7 CFR § 210.19(c), dated January 1, 2003, to recover \$23,359 from our review of the SFA's meal claims and its edit check for November 2002, for the overpayment to be collected from the SFA.

FNS Response.

We agree that it is appropriate to recover excess reimbursement. However, we also recognize the merits of the SA's suggestion to give the SFA the option of investing the excess reimbursement in a school district-wide computerized POS system. We believe this could be a long-term solution to the SFA's accountability problems. However, in addition to implementing a POS system, we believe the SFA's performance post-POS system implementation should be evaluated before a decision is made not to recover excess reimbursement.

OIG Position.

To reach management decision for this recommendation, FNS should provide a copy of the bill for recovery from the SFA of the excess reimbursement. As stated in the OIG Position for Recommendation No. 6, we agree that a school district-wide POS system could be a long-term solution to the SFA's accountability problems.

Recommendation No. 8

Direct the SA to require that the SFA document attendance and meal count data for Traditional sites separately from Universal sites to ensure the accurate evaluation of claims in the edit check process.

FNS Response.

FNS concurs with this recommendation and will provide clarification to the SA on the corrective action needed.

OIG Position.

To reach management decision, FNS should provide details of the direction to be provided and a date by which the SA will require the SFA to document attendance and meal counts separately for Traditional and Universal feeding sites.

Finding 2:**Controls Are Needed to Limit Claims to Only Approved Applicants for Free and Reduced-Price Meals**

The SFA claimed 109,778 more free and reduced-price meals than could be supported by approved applications and direct certifications at Traditional schools between September and December 1999. This occurred primarily because the SFA's operating policy allowed applicants to be considered eligible for free and reduced-price meals upon receipt of the application rather than when the application is approved, and because of counting errors occurring at the schools. As a result, the SFA received excess NSLP and SBP reimbursements of \$189,130 (see Exhibit A) in addition to the overclaim reported in Finding 1.

Federal regulations⁸ provide that SFAs, to start the school year, are to carry over each current year student's eligibility status from the prior year and document the students determined eligible for the current year on the basis of direct certification. Then, SFAs are to begin processing new applications for the current school year. If no prior year or direct certification information is available, the new applicants are considered eligible only for paid meals until eligibility is determined for free and reduced-price meals.

Our review found that the SFA's policies and procedures⁹ did not comply with 7CFR 245.6(b) because they considered each applicant eligible for free and reduced-price meals upon receipt of an application, and during the time the application is under consideration for approval. To determine the effect of the SFA's policies and procedures on lunch and breakfast claims, we reviewed claims at 76¹⁰ of 80 sites operating under Traditional procedures during the peak application-processing period of September 1999 through February 2000. Our review excluded the lunch and breakfast overclaims that we identified in Finding No. 1. Specifically, we performed the following procedures:

- To determine the maximum count of free and reduced-price meals that could be served for a day we used the count of students eligible for free and reduced-price meals documented on each school's monthly edit check report.
- To calculate the maximum monthly claim for each category we multiplied the maximum daily count of free and reduced-price meals by the number of serving days each month.

⁸ Title 7, CFR § 245.6(b), dated January 1, 1999 (same as Title 7, CFR § 245.6(c), effective January 27, 2000).

⁹ Philadelphia SFA's Policies and Procedures Manual, Section 4, Paragraph 2, Subparagraph B.3.a, Page 4.2-1, & Subparagraph B.3.b, dated September 1998.

¹⁰ We were unable to perform this review at four sites because records for attendance or the edit checks were not provided.

- To establish a maximum allowable claim for each month we limited the monthly count by applying an attendance factor based on each school's attendance and enrollment information from the school computer network system for the month.

We compared our calculated maximum monthly claim to each school's monthly meal claim for September through February shown on the SFA's monthly detailed meal claims. We found that 63 feeding sites claimed 100,914 more free and reduced-price lunches than students in attendance and determined eligible to receive those lunches (see Exhibit D). Regarding breakfast claims, 14 feeding sites claimed 8,864 more free or reduced-price breakfasts than students in attendance and determined eligible to receive those breakfasts (see Exhibit D). Upon identification of the overclaims, we attempted to determine the amount attributed to the SFA's incorrect policy and the amount attributed to claiming errors. Because the SFA did not retain a roster and other onsite counting records, we were unable to identify the amount attributed to claiming errors. The following example demonstrates how we identified the overclaims:

- Traditional site #725 claimed 13,842 free lunches served during the 19 days of operation in November 1999. The SFA's edit check report showed that 669 students were determined eligible for free lunches in November 1999. The school district's school computer network indicated that 91.826 percent of the enrolled students attended school in November. We calculated that a maximum of 11,672 free lunches could have been served during the month by multiplying the count of eligible students enrolled (669) times the number of serving days (19) times the attendance factor (91.826 percent); however, the school claimed 13,842 free lunches. As a result, the school had overstated its free lunch count by 2,170 meals. To assure that we did not duplicate this overclaim with the overclaim we identified in Finding No. 1, we compared the two results. Because we identified an overclaim of 1,860 lunches previously reported in Finding No. 1, we reduced the overclaim to 310 lunches.

We found that the SFA was unable to preclude excessive meal claims because its policies and procedures did not limit claims for free or reduced-price meals to the count of students determined eligible for such meals. In addition, the SFA's internal controls did not prevent schools from claiming for reimbursement free meals served to students whose applications have not been approved for free meals. Further, the SA did not routinely followup with the SFA to ensure that the SFA was claiming free meals served only to those eligible for free meals. As a result, the SFA had received \$189,130 in excess reimbursements for 109,778 more free and reduced-price meals than records could support.

Based on our review of the SFA's meal claims and its edit check for November 2002, we found that the SFA had revised its policy, effective September 2002, to require that new applicants be considered eligible only for paid meals until eligibility is determined for free and reduced-price meals. To the extent that the SFA's policy regarding eligibility determination caused overclaims for free and reduced-price meals, we believe that the SFA's revised policy should correct the condition.

Recommendation No. 9

Require that the SA direct the SFA to modify its application processing instructions in the SFA's Policies and Procedures Manual to comply with Federal regulations by requiring that students with pending applications be considered eligible only for paid meals until eligibility for free or reduced-price meals is determined.

FNS Response.

As noted, the SFA revised its policy effective September 2002. Also, the SA confirmed that the policy was revised. Accordingly, we request management decision for this recommendation.

OIG Position.

We accept FNS' management decision. During our review, we obtained a copy of the SFA's Policies and Procedures Manual, effective September 2002, showing the requirement that students with pending applications be considered eligible only for paid meals until eligibility for free or reduced-price meals is determined. To achieve final action for this recommendation, FNS should request closure from the OCFO, based on actions taken.

Recommendation No. 10

Require that the SA direct the SFA to develop and implement internal controls to prevent schools from claiming for reimbursement free and reduced-price meals served to students whose applications have not been approved for such meals.

FNS Response.

FNS and the SA evaluated the SFA's performance in this area during a March 2002 follow-up review. We found that free or reduced-price meals were not claimed unless an application had been approved. Accordingly, we request management decision for this recommendation.

OIG Position.

To reach management decision for this recommendation, FNS should provide details of the SFA's internal controls to prevent schools from claiming for reimbursement free and reduced-price meals served to students whose applications have not been approved for such meals.

Recommendation No. 11

Require that the SA routinely followup with the SFA to ensure that the SFA is claiming free meals served only to those eligible for free meals.

FNS Response.

FNS and the SA will follow up on this matter during the May 2004 CRE. We expect that work on the CRE, including the SFA's response, will be completed by January 31, 2005, and that work on a follow-up review, if necessary, will be completed by July 31, 2005. We request management decision based on the above planned action.

OIG Position.

We agree with FNS's proposed management decision. To achieve final action, FNS should provide the OCFO a copy of the completed CRE, to include an assessment of whether the SFA is claiming only the free meals served to those eligible for free meals and a plan for followup review on issues identified.

Recommendation No. 12

Direct the SA to follow procedures outlined in 7 CFR § 210.19(c), dated January 1, 2003, to recover the excess reimbursement of \$189,130 from the SFA.

FNS Response.

We will consider providing the SFA with the option of investing the excess reimbursement in a school district-wide computerized POS system. Management decision concerning this option would depend upon an estimated completion date of the following conditions: (1) the SFA implementing final action on recommendations 1, 2, 3, 4, 8, 10, 11, and 13 in this report; (2) the SA and FNS approving a detailed plan by the SFA for a school district-wide POS system; and (3) acceptable performance of the SFA's post-POS system implementation, as determined by FNS and the SA.

OIG Position.

To reach management decision for this recommendation, FNS should provide a copy of the bill for recovery of the excess reimbursement. We are open to considering an alternative management decision, as set forth in the FNS response, and agree that improvement on the part of the SFA is a prerequisite to any such decision.

Finding 3:

The SFA's Monitoring of Meal Counting and Claiming Systems Needs Improvement

The SFA did not effectively monitor the NSLP and SBP meal counting and claiming systems to ensure accurate meal claims during SY 1999/2000. Our review found that the SFA, in performing onsite reviews: (1) allotted insufficient time for each monitor to perform an adequate review of each school's counting and claiming system; (2) did not cover all areas required by the SA instructions; (3) limited test coverage to only the review day's meal count; (4) used incomplete or inaccurate meal count and attendance information; (5) did not assess, as one unit, schools with more than one feeding site; and (6) considered pending applications as being eligible for free meals. As a result, the SFA's monitoring process did not ensure the accuracy of meal claims and did not prevent or detect the overclaims reported in Finding Nos. 1 and 2.

Federal regulations and the SA instructions each require the SFAs to establish specific internal controls regarding meal counts. Federal regulations¹¹ require the SFAs to establish internal controls for ensuring the accuracy of meal counts prior to submission of the monthly claims for reimbursement. One of the required controls¹² is an annual onsite review of each school's lunch counting and claiming systems by February 1. The onsite review is to ensure that the counting system being implemented yields the actual number of reimbursable free, reduced-price, and paid meals, served for each day of operation. The SA's instructions¹³ require unannounced visits to feeding sites and observation of meal and snack service during all serving periods for all serving lines, and that the SFA monitors compare the number of students eligible by category with the number of meals claimed each day. This comparison is for the prior month if the review is performed within the first 15 days of the month, or for the current month if the review is performed later. In addition, the SA's instructions require monitors to examine edit check worksheets to ensure their completion. A monitoring review form containing 11 specific questions is to be answered, including a key question, "Does the system provide an accurate count of the number of reimbursable

¹¹ Title 7, CFR § 210.8(a), dated January 1, 1999.

¹² Title 7, CFR § 210.8(a)(1), dated January 1, 1999.

¹³ NSLP Memo #99-10, dated June 16, 1999, Instructions and Guidance for Onsite Monitoring.

free, reduced-price and paid meals served to eligible children on a daily basis?”

Our review of the SFA’s onsite monitoring system for SY 1999/2000 found six internal control weaknesses that we believe led to inaccurate meal claims. During the period, the SFA performed 311 onsite reviews. Only 13 of the reviews cited deficiencies, which may indicate that the SFA concluded general compliance with meal counting, claiming, and serving operations. In contrast, our analysis found numerous overclaims that were not identified by the SFA monitors, as discussed in Finding Nos. 1 and 2. In addition, the SFA did not use the SA-prescribed monitoring review form.

The six weaknesses in the SFA’s onsite monitoring system that we found are described below:

1. The SFA allotted insufficient time for each monitor to perform an adequate review of each school’s counting and claiming system.

The schedule of 11 monitors reviewing counting and claiming systems showed that: 1 monitor visited 5 sites in 1 day; 4 monitors visited 4 sites in 1 day; all 11 monitors visited 3 sites in 1 day; and all 11 monitors visited 2 sites on at least 1 day. We do not believe that an assessment of whether NSLP and SBP operations are in compliance with regulations could be completed in less than a full day. Factors that support our belief include: (a) the complexity of the meal counting system used by the school; (b) the large population of many schools; (c) the number of serving lines; (d) the number of feeding shifts; (e) the number of sites also serving breakfasts; and (f) the extent of testing required by the SA.

2. An alternative review form used by the SFA to document its reviews did not ensure that monitors addressed all questions and assessments required by the SA.

The SFA’s alternative review form did not address: (a) the key question of whether the site’s meal counting system yielded the accurate count of reimbursable meals, by category; (b) the comparison of the number of students eligible, by category, to the daily meal counts for days prior to the review date; (c) the examination of edit checks to ensure their completion; (d) the number of serving shifts and feeding lines to be observed; and (e) that breakfast and lunch services were to be reviewed. Without such documentation the SFA could not ensure the accuracy of the schools’ counting systems.

3. The monitors only tested the review day meal count.

The monitors did not perform the comparison of the number of students

eligible, by category, with the number of meals claimed for days prior to the date of the visit, as required by the SA. For example, the monitor visited Universal Free site #547 on November 3, 1999. Because the visit was within the first 15 days of the month, the SA required the comparison to cover October 1999 claims. Our review disclosed that meal counts exceeded attendance on 10 of the 20 days in October. Had the monitor disclosed the weakness and the school corrected the problem, subsequent excess claims for 9,156 meals on 38 days could have been precluded.

4. Monitors did not always obtain accurate or complete attendance or meal count data to accurately assess the counting system.

Some monitors only reviewed one meal service shift or one meal service line and used an attendance factor rather than actual attendance. For example, a monitor visited Universal Free feeding sites #526, #526A, and #526B (one school for attendance records) on November 2, 1999. The monitor tested the count and attendance information, by feeding site, by applying invalid attendance percentages to incorrect enrollment totals for each feeding site. The monitoring forms showed an aggregate of 1,408 enrolled students; however, only 1,289 students were actually enrolled according to attendance records. In addition, the monitoring form showed an aggregate of 1,310 meals served. Our analysis of attendance records disclosed that only 1,209 students were present on the day of the visit. The maximum allowable claim, 1,209 meals, was 101 less than the 1,310 meals accepted as correct by the monitor. Had the monitor identified the weakness and the school corrected the problem, subsequent excess claims for 12,682 meals on 130 days could have been precluded.

5. Schools with more than one feeding site were not tested as one unit and were not always tested on the same day.

One monitor visited Universal Free site #544B on November 30, 1999; Universal Free site #544 on December 14, 1999; and Universal Free site #544A on January 11, 2000. For those sites, we were unable to determine how the monitor determined the attendance or concluded that there were no problems. Our comparison of the total attendance to total meal counts for the entire unit for the three days demonstrated an overclaim of 136 meals, as shown below:

- November 30 (site #544B) - total attendance was 634 students, and 677 total meals were claimed, resulting in an overclaim of 43 meals.
- December 14 (site #544) - total attendance was 580 students, and 612 total meals were claimed, resulting in an overclaim of 32 meals.

- On January 11 (site #544A) – total attendance was 629 students, and 690 total meals were claimed, resulting in an overclaim of 61 meals.

Had the monitor identified the weakness on November 30 and the school corrected the problem, subsequent excess claims for 4,145 meals on 76 days could have been precluded.

6. The monitors followed the SFA's policy that considered pending applicants to be eligible for free meals at the Traditional schools.

One monitor did not question the meal counting system or that free meal claims exceeded the number of students determined eligible for free meals at Traditional feeding site #836 on December 13, 1999. Specifically, while documents show that 178 students had been approved to receive free meals, 190 free meals were claimed. The documentation should have led to the monitor identifying an overclaim of 12 meals; however, the monitor noted 37 pending applications, and did not question the counting system. This condition is further discussed in Finding No. 2.

We concluded that the SFA's onsite monitoring of meal counting systems did not provide reasonable assurance that feeding sites submitted accurate meal claims, and did not prevent overclaims. Based on our review of data for November 2002, the problem has persisted into SY 2002/2003.

Recommendation No. 13

Require that the SA direct the SFA to improve its onsite monitoring system by implementing more effective controls to ensure the submission of accurate meal claims. These controls should include:

- a. sufficient time for monitors to perform the SA's monitoring requirements;
- b. ensuring that review forms used by monitors include all questions and assessments required by the SA;
- c. testing meal counts for the SA-required number of days;
- d. obtaining accurate and complete attendance and meal count data to perform an accurate assessment of the meal counting system;
- e. testing, as one unit on the same day, schools with more than one feeding site; and
- f. ensuring that monitors are instructed to consider pending applications for free or reduced-price meals as eligible only for paid meals.

FNS Response.

We concur that the SFA needs to improve its onsite monitoring system. FNS and the SA will develop specific recommendations for the SFA in conjunction with the May 2004 CRE. We expect that work on the CRE, including the SFA's response, will be completed by January 31, 2005, and that work on a follow-up review, if necessary, will be completed by July 31, 2005.

We request management decision based on the above planned action.

OIG Position.

We agree with FNS' proposed management decision. To reach final action, FNS should provide the OCFO a copy of the completed CRE, to include specific recommendations incorporating controls to ensure each of the six elements set forth in the recommendation and details of how those controls have been implemented by the SFA.

Scope and Methodology

The scope of our review covered National School Lunch Program (NSLP) and School Breakfast Program (SBP) operations in SY 1999/2000 in which the School Food Authority (SFA) claimed over 29 million NSLP and SBP meals served, and received reimbursement of over \$45 million from these programs. Meal claim records of other periods were reviewed as deemed necessary. We performed audit work at FNS' Mid-Atlantic Regional Office located in Robbinsville, New Jersey; at the State Agency (SA) located in Harrisburg, Pennsylvania; and at the SFA's office located in Philadelphia, Pennsylvania. Audit work was performed during the period October 2000 through December 2002. From March 2003 through May 2003, we reviewed the SFA's meal claims and edit check for November 2002, to verify corrective actions that the SFA indicated it had taken. In March 2004, we considered additional information provided by the SFA and incorporated revised data to the extent that it was corroborated.

This audit includes computer and manual analyses of data from NSLP and SBP daily attendance and meal claims for the reporting months September 1999 through June 2000 and an analysis of November 2002.

To accomplish our audit objectives, we reviewed the applicable Federal regulations, the SA instructions and guidance, the SFA policies and procedures, manuals, and instructions governing NSLP and SBP operations. We reviewed the 1995 Coordinated Review Effort (CRE) performed jointly by FNS and the SA officials of the SFA's NSLP and SBP operations, and the SFA's corrective actions taken in response to the CRE review findings and recommendations. During our review of the SFA's meal claims and edit check for November 2002, we looked at a CRE review performed by FNS and the SA in March 2001, and corrective actions taken in response to the review. In addition, we performed the following audit procedures:

- We interviewed the SFA officials to determine the SFA's edit check processes employed to ensure the accuracy of its monthly meal claims submitted to the SA.
- We compared the claiming rate established in 1994 by the socio-economic study to the claiming rate used by the SFA for each of the Universal Free schools to determine whether the SFA correctly allocated the meal claims by category (free, reduced-price, and paid) to assure that resulting claims were accurate.
- We reviewed the SFA's onsite monitoring reports for the 311 sites it visited as of February 1, 2000 (SY 1999/2000) and compared the review results to our findings to assess the effectiveness of the reviews in identifying errors.

- We obtained the SY 1999/2000 computerized records documenting the monthly meal claims, attendance, and enrollment data of the SFA. To evaluate the information, our statistician developed computer programs to compare the daily attendance information to daily meals claimed by each school. The computerized programs compared various types of information. For each Universal Free school, we compared the daily meal count against the daily attendance count to determine whether more meals were claimed than students in attendance. For each Traditional school, we compared the daily meal claim, by category (free, reduced-price, and paid) against the daily attendance count, by category, to determine whether more meals were claimed in any category than students in attendance in that eligibility category. The eligibility category for each student was based upon data as of June 2000. We were not able to use the eligibility category for each month because the SFA did not retain a history of eligibility determinations by month.
- We reviewed the SFA's available edit check reports, entitled Monthly Audit Check for September 1999 through February 2000. We compared the free and reduced-price eligibility information documented on these reports to the monthly meal counts for the Traditional schools to determine whether more meals were claimed than could have been served to students determined eligible for these subsidized meals. To accomplish this, we adjusted the maximum potential monthly claim downward to consider absenteeism as is required by regulations.¹⁴ For example, if there were 50 approved free applications and 10 serving days, the maximum potential free meal claim would be 500 free meals if attendance were not considered. However, attendance records showed only 90 percent of the enrolled students were in attendance. Therefore, the maximum allowable claim would be 450 free meals.
- We performed manual analyses to identify other types of meal claiming errors, including tests to identify meals claimed on days that were not valid serving days (e.g., holidays) and to identify meals claimed without documentation of students in attendance.
- We visited seven schools (four traditional and three universal) to review the accuracy of their meal counting and claiming systems. We also obtained and reviewed documentation of the schools' daily attendance/enrollment records and weekly meal claims reports.
- We held detailed discussions with the SFA's Information Technology Systems Analysis Manager to understand how attendance data was

¹⁴ 7 CFR 210.8(3)(i), dated January 1, 1999.

developed for SY 1999/2000, and to assess revised data provided in March 2004.

This audit was conducted in accordance with generally accepted government auditing standards.

Exhibit A - Summary of Monetary Results

Recommendation No.	Description	Amount (Rounded)	Category
6	Meal claims in excess of attendance.	\$654,935	Questioned Cost Recovery Recommended
7	Meal claims in excess of attendance (November 2002).	\$23,359	Questioned Cost Recovery Recommended
12	Meal claims in excess of eligibility documents.	\$189,130	Questioned Cost Recovery Recommended

Exhibit B - List of Schools, Feeding Sites, and Excess Claims

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School Count	Feeding Site Count	Feeding Site #	Site Type	Excess Lunch Claim	Excess Breakfast Claim	Total Excess Claim
1	1	101	UF	6,017.37	1,560.12	\$7,577.49
	2	150	UF	191.42	45.47	\$236.89
	3	157	UF	10,282.29	4,245.35	\$14,527.64
	4	199	UF	3,596.50	1,020.17	\$4,616.67
2	5	102	UF	1,671.24	754.74	\$2,425.98
3	6	108	UF			\$0.00
4	7	110	UF		247.11	\$247.11
5	8	111	UF	-153.94	31.44	-\$122.50
6	9	112	UF			
	10	192	TR			
			Total	353.26	137.80	\$491.06
7	11	113	UF			\$0.00
8	12	115	UF	-122.40	73.83	-\$48.57
9	13	116	UF	157.52	41.42	\$198.94
10	14	120	UF			
	15	120A	UF			
			Total	575.69	87.07	\$662.76
11	16	121	UF	2,115.89		\$2,115.89
12	17	123	UF	61.64	34.04	\$95.68
13	18	125	UF			
	19	125A	UF			
			Total	4,386.13	45.78	\$4,431.91
14	20	126	UF	207.09		\$207.09
15	21	127	UF	97.45		\$97.45
16	22	129	UF			
	23	129A	UF			
			Total			\$0.00
17	24	130	UF			
	25	152	UF			
			Total	312.56	92.48	\$405.04
18	26	131	UF	375.52		\$375.52
19	27	133	UF	350.37		\$350.37
20	28	134	UF			\$0.00

School Count	Feeding Site Count	Feeding Site #	Site Type	Excess Lunch Claim	Excess Breakfast Claim	Total Excess Claim
21	29	135	UF			
	30	193	UF			
	Total			3,059.14		\$3,059.14
22	31	136	UF	-52.84	-54.50	-\$107.34
23	32	137	UF	52.13	-34.88	\$17.25
24	33	138	UF		119.39	\$119.39
25	34	139	TR	2,004.80		\$2,004.80
26	35	140	UF	3,874.43		\$3,874.43
27	36	141	UF	1,176.09		\$1,176.09
28	37	142	UF	801.78	52.91	\$854.69
29	38	143	UF	908.81	47.92	\$956.73
30	39	144	UF	150.39		\$150.39
31	40	145	UF			\$0.00
32	41	146	UF	377.27	27.25	\$404.52
33	42	147	UF	1,133.21		\$1,133.21
34	43	149	UF	298.96		\$298.96
35	44	153	UF	529.84	-18.53	\$511.31
36	45	158	UF	903.69	810.37	\$1,714.06
37	46	200	UF	-177.21	-59.95	-\$237.16
38	47	201	UF			\$0.00
39	48	202	UF	51.17		\$51.17
40	49	206	UF			\$0.00
41	50	209	UF	319.96	448.98	\$768.94
42	51	210	UF	167.09		\$167.09
43	52	211	UF	155.85	28.51	\$184.36
44	53	212	UF		10.10	\$10.10
45	54	213	UF	423.51	37.06	\$460.57
46	55	215	UF	155.74		\$155.74
47	56	216	UF	150.36	284.47	\$434.83
48	57	219	UF	683.38		\$683.38
49	58	220	UF			
	59	220A	UF			
	60	220B	UF			
	Total					\$0.00

School Count	Feeding Site Count	Feeding Site #	Feeding Site Type	Excess Lunch Claim	Excess Breakfast Claim	Total Excess Claim
50	61	221	UF	123.51	31.61	\$155.12
51	62	222	TR	4,733.27	185.30	\$4,918.57
52	63	224	UF	1,183.86		\$1,183.86
53	64	226	UF	901.38	103.73	\$1,005.11
54	65	229	UF	-137.83	-40.33	-\$178.16
55	66	230	TR	6,990.93		\$6,990.93
56	67	231	UF	4.00		\$4.00
57	68	232	UF	Total		
	69	241	TR			
						\$0.00
58	70	234	TR	6,021.56		\$6,021.56
59	71	237	UF	Total		
	72	237A	UF			
						\$498.33
60	73	238	TR	16,006.79		\$16,006.79
61	74	239	UF	-162.49	9.19	-\$153.30
62	75	240	UF	Total		
	76	240A	UF			
						\$0.00
63	77	242	UF	7,830.72	110.32	\$7,941.04
64	78	243	UF	85.60		\$85.60
65	79	244	UF	195.45		\$195.45
66	80	245	UF	1,152.85		\$1,152.85
67	81	247	TR	3.58		\$3.58
68	82	248	UF	1,805.22		\$1,805.22
69	83	249	UF	2,329.98	93.12	\$2,423.10
70	84	251	UF	36.23	131.21	\$167.44
71	85	252	UF	295.98		\$295.98
72	86	254	UF	6,942.80		\$6,942.80
73	87	258	UF			\$0.00
74	88	259	UF	256.27	14.17	\$270.44
75	89	263	UF	107.72		\$107.72
76	90	264	UF			\$0.00
77	91	269	UF	164.27	31.61	\$195.88
78	92	272	UF			\$0.00
79	93	273	UF			\$0.00
80	94	401	UF			\$0.00

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School Count	Site Count	Site #	Site Type	Lunch Claim	Breakfast Claim	Excess Claim
81	95	402	UF	-248.81	-64.31	-\$313.12
82	96	403	UF	25.95		\$25.95
83	97	406	UF	1,517.78	390.00	\$1,907.78
	98	609	UF			
Total						
84	99	410	UF	27.83	65.42	\$93.25
	100	410A	UF			
	101	410B	UF			
Total						
85	102	411	UF			\$0.00
86	103	412	UF			\$0.00
87	104	413	UF	-132.46	-41.42	-\$173.88
88	105	414	UF			\$0.00
89	106	415	UF			\$0.00
90	107	421	UF			\$0.00
91	108	422	UF	-109.19	-63.22	-\$172.41
92	109	424	UF	27.24		\$27.24
	110	424A	UF			
Total						
93	111	426	UF	97.45		\$97.45
94	112	427	UF	245.22		\$245.22
95	113	428	TR	4,781.09	14.70	\$4,795.79
96	114	429	UF	4,445.13	608.30	\$5,053.43
97	115	430	UF	607.46	240.26	\$847.72
98	116	431	UF			\$0.00
99	117	432	TR	22,965.70		\$22,965.70
100	118	434	UF	67.87		\$67.87
101	119	437	UF	228.65		\$228.65
102	120	438	UF	206.90		\$206.90
103	121	439	UF	930.20	140.04	\$1,070.24
104	122	440	UF	1,230.66		\$1,230.66
105	123	442	UF	3,528.93		\$3,528.93
106	124	443	UF	500.03	198.84	\$698.87
107	125	444	UF	682.18	30.52	\$712.70
108	126	445	UF	47.62		\$47.62
109	127	446	UF	3,460.38		\$3,460.38

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School Count	Feeding Site Count	Feeding Site #	Feeding Site Type	Excess Lunch Claim	Excess Breakfast Claim	Total Excess Claim
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110	128	447	UF	595.93		\$595.93
111	129	448	TR	1,638.78	310.65	\$1,949.43
112	130	451	UF	721.95		\$721.95
113	131	453	UF			\$123.83
114	132	456	UF	127.83	175.26	\$303.09
115	133	457	UF	4,588.17		\$4,588.17
116	134	501	UF	-125.30	-41.42	-\$166.72
117	135	502	UF	4,896.77	-41.42	\$4,855.35
118	136	504	UF	1,014.84	739.13	\$1,753.97
119	137	506	UF	1,077.87	740.13	\$1,818.00
	138	510				
	139	510A	UF			
120			Total	671.52	20.92	
121	140	511	UF	34.34	-90.47	-\$56.13
122	141	512	UF	-272.40	-59.95	-\$332.35
123	142	513	UF		39.12	\$39.12
124	143	514	UF		10.61	\$10.61
125	144	515	TR	563.85		\$563.85
126	145	517	UF	2,696.43	628.12	\$3,324.55
127	146	520	UF	836.76	3,693.65	\$4,530.41
128	147	521	UF	10,160.55	8,895.76	\$19,056.31
129	148	522	UF	677.78	691.88	\$1,369.66
130	149	523	TR	9,320.53	3,030.20	\$12,350.73
131	150	524	UF	41.17	9.81	\$50.98
132	151	525	UF	113.26		\$113.26
	152	526	UF			
	153	526A	UF			
	154	526B	UF			
133				30,171.64	46.87	\$30,218.51
134	155	527	UF			\$0.00
135	156	528	UF	9,030.23	3,496.91	\$12,527.14
136	157	529	UF	15,759.28		\$15,759.28
137	158	530	UF	71.43	1,209.34	\$1,280.77
138	159	531	UF	428.80	64.15	\$492.95
139	160	532	UF	7,651.46		\$7,651.46
140	161	533	UF	2,541.89	259.28	\$2,801.17

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School Count	Feeding Site Count	Feeding Site #	Feeding Site Type	Excess Lunch Claim	Excess Breakfast Claim	Total Excess Claim
141	162	534	UF	474.44	216.53	\$690.97
142	163	535	UF	5,611.49	480.37	\$6,091.86

143	164	537	UF	433.74	396.58	\$830.32
144	165	538	UF	5,516.68	3,465.52	\$8,982.20
145	166	539	UF	1,292.70		\$1,292.70
146	167	540	UF	363.54		\$363.54
147	168	541	UF			
	169	541A	UF			
			Total	1,165.51		\$1,165.51
148	170	542	UF	24.21		\$24.21
149	171	543	UF	-69.81	-16.90	-\$86.71
150	172	544	UF			
	173	544A	UF			
	174	544B	UF			
			Total	12,609.02	47.96	\$12,656.98
151	175	545	UF			\$0.00
152	176	547	UF	20,325.80	2,505.09	\$22,830.89
153	177	548	UF	405.28		\$405.28
154	178	549	UF	6,210.76	47.83	\$6,258.59
155	179	550	UF	2,284.53		\$2,284.53
156	180	553	UF			
	181	553A	UF			
			Total	5,143.79	1,405.53	\$6,549.32
157	182	556	UF	2,360.58		\$2,360.58
158	183	559	UF	602.72	104.84	\$707.56
159	184	568	UF	5,408.94	107.84	\$5,516.78
160	185	583	UF	18,899.28	5,930.03	\$24,829.31
161	186	601	TR			\$0.00
162	187	602	UF			\$0.00
163	188	603	UF		72.06	\$72.06
164	189	604	TR	5,394.10		\$5,394.10
165	190	605	TR	1,828.16		\$1,828.16
166	191	606	UF			\$0.00
167	192	610	TR	6,986.37	265.96	\$7,252.33
168	193	611	UF			\$0.00
169	194	615	UF			\$0.00

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School Count	Feeding Site Count	Feeding Site #	Feeding Site Type	Excess Lunch Claim	Excess Breakfast Claim	Total Excess Claim
170	195	616	UF	-130.67	-75.21	-\$205.88
170	195	616	Traditional 9/99 - 1/00	4,739.92	1,474.11	\$6,214.03

170	195	616	Universal 2/00 – 6/00	7,107.79	997.91	\$8,105.70
171	196	620	UF			
172	197	621	UF	2.21	27.66	\$29.87
173	198	622	UF	20.02		\$20.02
174	199	623	TR		25.82	\$25.82
175	200	624	UF			\$0.00
176	201	625	TR	34.01		\$34.01
177	202	626	TR	10,781.17	15.26	\$10,796.43
178	203	627	TR	587.12		\$587.12
179	204	628	UF	3,167.15		\$3,167.15
180	205	629	UF		78.75	\$78.75
181	206	630	UF	4,519.67	219.37	\$4,739.04
182	207	631	TR	2,305.23	304.43	\$2,609.66
183	208	632	UF			\$0.00
184	209	633	UF			\$0.00
185	210	634	UF	509.01		\$509.01
186	211	635	TR	18,292.35	4,688.84	\$22,981.19
187	212	638	TR	116.35		\$116.35
188	213	639	UF	177.07	45.89	\$222.96
189	214	640	UF			\$0.00
190	215	641	UF			\$0.00
191	216	643	UF	1,458.68	-29.43	\$1,429.25
192	217	644	UF	100.24	23.98	\$124.22
193	218	645	UF	479.11	15.26	\$494.37
194	219	646	TR	1,747.04	376.24	\$2,123.28
	220	647	UF			
	221	647A	UF			
195				8,076.61		\$8,076.61
196	222	648	TR			\$0.00
197	223	654	UF	13.81		\$13.81
198	224	680	TR	42,464.47	20,653.34	\$63,117.81
199	225	701	UF			\$0.00
200	226	702	UF			\$0.00

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School Count	Feeding Site Count	Feeding Site #	Feeding Site Type	Excess Lunch Claim	Excess Breakfast Claim	Total Excess Claim
	227	710	UF			
	228	710A	UF			
201			Total	230.94	255.83	\$486.77
202	229	711	UF		68.32	\$68.32

203	230	712	TR			\$0.00
204	231	713	TR	6,127.17	1,510.52	\$7,637.69
205	232	720	UF	1,773.74		\$1,773.74
206	233	721	UF			
	234	721A	UF			
	235	721B	UF			
	Total			6,599.60	-23.98	\$6,575.62
207	236	722	TR			
	237	722A	TR			
	Total			1,267.32	373.81	\$1,641.13
208	238	724	TR			
	239	724A	TR			
	Total			11,826.53	450.17	\$12,276.70
209	240	725	TR	26,149.53		\$26,149.53
210	241	726	TR			
	242	726A	TR			
				2,216.02		\$2,216.02
211	243	727	TR			
	244	727A	TR			
				7,815.14	176.32	\$7,991.46
212	245	728	TR			
	246	728A	TR			
	247	728B	TR			
	Total			2,711.85	176.65	\$2,888.50
213	248	729	UF	35.62		\$35.62
214	249	730	UF			
	250	730A	UF			
	Total			78.08		\$78.08
215	251	731	UF			
	252	754	UF			
	Total			290.97	-45.78	\$245.19
216	253	732	UF	52.04		\$52.04
217	254	733	TR			\$0.00

School Count	Feeding Site Count	Feeding Site #	Feeding Site Type	Excess Lunch Claim	Excess Breakfast Claim	Total Excess Claim
218	255	735	UF	224.09	265.12	\$489.21
219	256	736	UF	2,276.50	4.11	\$2,280.61
220	257	738	UF	4,942.17	665.94	\$5,608.11
	258	739	UF			
	259	739A	UF			

221	260	739B	UF	Total		\$0.00
222	261 262	740 740A	TR TR	Total	2,307.11	\$2,763.59
223	263	742	UF		7,086.35	\$7,152.21
224	264	743	UF			\$0.00
225	265	744	UF		16,375.23	\$17,308.40
226	266	746	TR		309.67	\$317.87
227	267	747	UF		108.14	\$108.14
228	268	749	TR		4,120.84	\$4,260.55
229	269 270	750 750A	UF UF	Total	183.97	\$2,619.77
230	271	751	UF		101.83	\$101.83
231	272	753	UF		2.00	\$58.17
232	273	773	UF		1,953.03	\$2,030.42
233	274 275 276	801 801A 809	TR TR TR	Total	31,756.39	\$37,846.22
234	277	802	TR		807.29	\$807.29
235	278	803	TR		1.09	\$1.09
236	279	812	TR		5,944.59	\$5,944.59
237	280	814	TR		1,704.08	\$1,704.08
238	281	815	TR		10,228.06	\$10,228.06
239	282	816	TR		5,875.73	\$5,875.73
240	283	818	TR		3,253.74	\$3,253.74
241	284	820	TR		6.76	\$6.76
242	285	821	TR		341.79	\$681.87

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School Count	Feeding Sites Count	Feeding Site #	Feeding Site Type	Excess Lunch Claim	Excess Breakfast Claim	Excess Total Claim
243	286	823	TR	5,328.39	121.54	\$5,449.93
244	287	824	TR	8.95	1,138.79	\$1,147.74
245	288	825	TR	11,074.73	29.43	\$11,104.16
246	289	826	TR	5,491.79	316.59	\$5,808.38
247	290	827	UF	2,511.92	22.89	\$2,534.81
248	291	830	TR	1,417.68	1,084.55	\$2,502.23

249	292	831	TR	5,919.53	147.50	\$6,067.03
250	293	832	TR	234.49	44.69	\$279.18
251	294	833	UF	535.71		\$535.71
252	295	834	TR	3,992.03		\$3,992.03
253	296	835	TR	5,690.41		\$5,690.41
254	297	836	TR	9,484.69	1,267.17	\$10,751.86
255	298	837	TR	3,911.93	257.04	\$4,168.97
256	299	838	TR	9997.99		\$9,997.99
257	300	839	TR	7,798.38		\$7,798.38
	301	840	TR			
	302	840A	TR			
258			Total	6,102.33		\$6,102.33
259	303	841	TR	2,440.47		\$2,440.47
260	304	842	TR	13,426.79	223.45	\$13,650.24
261	305	843	TR	3,946.77	16.72	\$3,963.49
262	306	844	TR	13,383.42		\$13,383.42
			Totals	<u>\$744,881.39</u>	<u>\$99,183.38</u>	<u>\$844,064.77</u>

Notes: UF = Universal Free

UF schools year end = 195

Partial UF and partial TR schools = 2

Total count of schools = 262

UF feeding sites year end = 229

Total count of feeding sites = 306

UF sites with at least one error = 187

UF sites with Finding 1 lunch error = 175

UF sites with Finding 1 breakfast error = 117
(105 duplicates and 12 new sites)

Highlighting = combined attendance data

Site #802 is the one site with only a Finding No. 2 error.

TR = Traditional School

TR schools year end = 66

TR feeding sites year end = 77

TR sites with at least one error = 72

TR sites Finding 1 lunch error = 67

TR sites Finding 1 breakfast error = 40 (38 duplicates
and 2 new TR sites)

TR sites Finding 2 lunch error = 63 (60 duplicates and
3 new TR sites)

TR sites Finding 2 breakfast error = 14 (duplicates)

Exhibit C - Meal Claim Errors Resulting in Excess Reimbursement

Type of Error	Sites With An Error	Ineligible			Reclassified				Excess Reimbursement	
		Reduced-			Free	Free To	Reduced-	Paid To	Ineligible Amount	Reclassified Amount
		Free Meals	Price Meals	Paid Meals	To Paid	Reduced- Price	Price To Paid	Reduced- Price		

Lunch

UF - Total Claim Exceeds Total Attendance	144	128,404	6,610	8,724					\$ 269,216.04	
TR - Free Claim Exceeds Free Attendance	66				101,777			179		\$ 182,429.64
TR - Claim Exceeds Attendance	4	221	2		284	42			\$ 445.20	\$ 525.16
UF - Lunches Claimed on Non-serving Days	14	5,118	533	884					\$ 11,274.44	
TR - Lunches Claimed on Non-serving Days	3	665	55	44					\$ 1,427.24	
UF #112 and TR #192 - Claim Exceeds Attendance	2	66	5	6					\$ 141.26	
UF - Incorrect Claiming Rate Applied	58				13,444	2,013	6,720			\$ 34,210.76
UF - No Attendance Records	2	11,775	463	596					\$ 24,415.96	
TR - No Attendance Records	1	19,176	1,587	1,743					\$ 41,257.23	
Column Totals		165,425	9,255	11,997	115,505	2,055	6,899	0	\$ 348,177.37	\$ 217,165.56
Total Lunch Overclaim										\$ 565,342.93

Breakfast

UF - Total Claim Exceeds Total Attendance	63	22,029	1,451	2,214					\$ 30,553.64	
TR - Free Claim Exceeds Free Attendance	35			198	11,644		153		\$ 41.58	\$ 12,812.83
TR - Claim Exceeds Attendance	12	974	23	280	1,090	283		6	\$ 1,348.00	\$ 1,268.26
UF - Breakfasts Claimed on Non-serving Days	15	2,267	275	495					\$ 3,326.05	
TR - Breakfasts Claimed on Non-serving Days	2	440	52	39					\$ 632.19	
UF - Incorrect Claiming Rate Applied	58				7,332	605	2,382			\$ 10,055.16
UF - No Attendance Records	2	6,950	286	355					\$ 9,395.55	
TR - No Attendance Records	1	14,292	1,320	1,235					\$ 20,158.95	
Breakfast Column Totals		46,952	3,407	4,816	20,066	888	2,535	6	\$ 65,455.96	\$ 24,136.25
Total Breakfast Overclaim										\$ 89,592.21

Summary Results

Errors Not Detected by Control Edit Checks	Ineligible	Meals	Claimed	Reclassified	Meals	Claimed	Total Excess	Reimbursement
	Lunch	186,677		Lunch		124,459	Ineligible	\$413,633.33
	Breakfast	55,175		Breakfast		23,495	Reclassified	\$241,301.81
	Total	241,852		Total		147,954	Total	\$654,935.14

*

Exhibit D - Summary of Meals Claimed in Excess of the Number of Approved Applications and Direct Certifications Shown on the Monthly Audit Check Forms

	NSLP		SBP	
Number of Sites Tested	76		76	
	Free	Reduced-Price	Free	Reduced-Price
Number of Meals Claimed	1,771,349	124,876	683,105	21,731

Sites In Error	63		14	
	Free	Reduced-Price	Free	Reduced-Price
Excess Meal Claim	98,170	2,744	*8,642	222
Percent Claimed in Error	5.5 %	2.2%	1.3%	1.0%

Reimbursement Rate	\$1.79	\$1.39	*\$1.09	\$.79
Excess Reimbursement	\$175,724.30	\$3,814.16	\$9,415.79	\$175.38

Excess NSLP Reimbursement	\$179,538.46
Excess SBP Reimbursement	<u>\$9,591.17</u>
Total Excess Reimbursement	\$189,129.63

* Included 19 free breakfasts for site #843 reimbursed at the needy breakfast rate of \$1.09 less the \$.21 paid rate.

Note: Between September and December 1999, 79 sites operated under Traditional procedures. Subsequently, site #219 and #620 converted to Universal Free procedures thus reducing the count to 77 sites operating under Traditional procedures as of June 2000. We were not able to review site #192 because the SFA did not have Monthly Audit Check forms for the test period and attendance was combined with Universal Free site #112. We were not able to review site #241 because the SFA only had a Monthly Audit Check form for February 2000 and attendance was combined with Universal Free site #232. We were not able to review site #680 because the SFA did not provide us with attendance data and the SFA only had Monthly Audit Check forms for February 2000.

Exhibit E - November 2002 List of Schools, Feeding Sites, and Excess Claims

Page 1 of 4

School Count	Feeding Site Count	Feeding Site #	Site Type	Excess Lunch Claim	Excess Breakfast Claim	Total Excess Claim
1	1	111	UF	\$ 107.72		\$ 107.72
2	2	112	UF	81.54		81.54
3	3	192	TR	3,425.76	\$ 2,220.40	5,646.16
4	4	120	UF	67.04	60.40	127.44
5	5	121	UF	6.48		6.48
6	6	125	UF	387.60		387.60
7	7	128	UF	6.70		6.70
8	8	131	UF	112.30		112.30
9	9	133	UF	60.34		60.34
10	10	135	UF		197.48	197.48
11	11	137	UF	6.48		6.48
12	12	139	TR	25.22		25.22
13	13	140	UF	40.90		40.90
14	14	141	UF	11.02		11.02
15	15	143	UF		603.64	603.64
16	16	145	UF	309.98		309.98
17	17	146	UF		57.88	57.88
18	18	220	UF	217.58		217.58
19	19	226	UF	196.24		196.24
20	20	230	TR	40.74		40.74
21	21	231	UF	62.50		62.50
22	22	239	UF	13.18		13.18
23	23	242	UF	75.20	38.90	114.10
24	24	245	UF	17.50		17.50
25	25	248	UF	62.46		62.46
26	26	249	UF	1,192.52		1,192.52
27	27	273	UF	4.32		4.32
28	28	403	UF	25.20		25.20
29	29	411	UF	110.02		110.02
30	30	427	UF	17.28		17.28
31	31	432	TR	34.92		34.92

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School Count	Feeding Site Count	Feeding Site #	Site Type	Excess Lunch Claim	Excess Breakfast Claim	Total Excess Claim
32	32	439	UF	\$ 71.10		\$ 71.10
33	33	440	UF	181.12		181.12
34	34	442	UF	15.34		15.34
35	35	444	UF	29.84		29.84
36	36	445	UF	60.12		60.12
37	37	446	UF	8.64		8.64
38	38	448	TR	269.66	\$ 410.64	680.30
39	39	456	UF	15.34		15.34
40	40	457	UF	207.00	87.60	294.60
41	41	511	UF	21.82		21.82
42	42	512	UF	53.82		53.82
43	43	513	UF		11.42	11.42
44	44	517	UF	478.12		478.12
45	45	522	UF	17.50	23.72	41.22
46	46	526	UF	191.92		191.92
47	47	529	UF	4.32		4.32
48	48	531	UF	30.24		30.24
49	49	532	UF	2.16		2.16
50	50	533	UF	19.66		19.66
51	51	535	UF	38.48		38.48
52	52	539	UF	84.28		84.28
53	53	541	UF	586.22		586.22
54	54	542	UF	Total 114.74 44.94 159.68		
55	55	583	UF			
56	56	544	UF	15.34		15.34
57	57	545	UF	278.32		278.32
58	58	547	UF		75.66	75.66
59	59	548	UF	68.94		68.94
60	60	549	UF	13.18		13.18
61	61	556	UF	109.98		109.98
62	62	559	UF	99.52		99.52
63	63	610	TR	401.58		401.58

School Count	Feeding Site Count	Feeding Site #	Feeding Site Type	Excess Lunch Claim	Excess Breakfast Claim	Total Excess Claim
64	64	611	UF	\$ 40.90		\$ 40.90
65	65	615	UF	11.02		11.02
66	66	623	TR	10.78		10.78
67	67	626	TR	444.88		444.88
68	68	629	UF		\$ 4.42	4.42
69	69	635	UF		18.26	18.26
70	70	639	UF	344.68		344.68
71	71	640	UF	51.96	29.38	81.34
72	72	680	TR	4,025.18	1,850.78	5,875.96
73	73	710	UF	2.16		2.16
74	74	721	UF	111.60		111.60
75	75	726	TR	21.34		21.34
76	76	727	TR	131.92		131.92
77	77	728	TR	41.58		41.58
78	78	731	UF	77.88		77.88
79	79	736	UF		1.40	1.40
80	80	740	UF	106.30	69.66	175.96
81	81	744	UF	8.64		8.64
82	82	751	UF	17.50		17.50
83	83	773	UF	122.62	26.74	149.36
84	84	801	TR	13.58		13.58
85	85	812	TR	981.64		981.64
86	86	820	TR	36.86		36.86
87	87	823	TR	1.94		1.94
88	88	825	TR	143.56		143.56
89	89	826	TR	7.76		7.76
90	90	830	TR	15.40		15.40
91	91	832	TR	281.30		281.30
92	92	836	TR	13.58		13.58
93	93	838	TR	77.60		77.60
94	94	839	TR	149.02		149.02

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Feeding Site Count	Feeding Site #	Feeding Site Type	Excess Lunch Claim	Excess Breakfast Claim	Total Excess Claim
USDA/OIG-Audit No. 27010-31-Hy					

School Count	Site Count	Site #	Site Type	Lunch Claim	Breakfast Claim	Excess Claim
95	95	843	TR	\$ 13.58		\$ 13.58
96	96	844	TR	11.64		11.64
Totals				\$17,525.44	\$5,833.32	\$23,358.76

Notes: UF = Universal Free

TR = Traditional School

& = SFA # 192 and
SFA # 680 had no attendance documented

Total count of schools = 96

UF sites with at least one error = 71

TR sites with at least one error = 25

Highlighting = combined attendance data
or was combined during November 2002

EXHIBIT E-1 - November 2002 Meal Claim Errors Resulting In Excess Reimbursement

Type of Error	Sites With An Error	Ineligible			Reclassified				Excess Reimbursement	
		Reduced-			Free	Free To	Reduced-	Paid To	Ineligible Amount	Reclassified Amount
		Free Meals	Price Meals	Paid Meals	To Paid	Reduced- Price	Price To Paid	Reduced- Price		

Lunch

UF - Total Claim Exceeds Total Attendance	60	2,867	149	226					\$6,504.68	
TR - Free Claim Exceeds Free Attendance	22				1,346		74			\$ 2,725.20
TR - Claim Exceeds Attendance										
UF - Lunches Claimed on Non-serving Days	3	176	9	17					\$399.74	
TR - Lunches Claimed on Non-serving Days	2	247	19	49					\$577.74	
UF - Claim Exceeds Attendance										
UF - Incorrect Claiming Rate Applied										
UF - No Attendance Records										
TR - No Attendance Records	2	3,190	180	504					\$7,318.08	
Column Totals	89	6,480	357	796	1,346	0	74	0	\$14,800.24	\$2,725.20
Total Lunch Overclaim										\$17,525.44

Breakfast

UF - Total Claim Exceeds Total Attendance	13	762	58	85					\$1,149.30	
TR -Free Claim Exceeds Free Attendance	1				348					\$410.64
TR - Claim Exceeds Attendance										
UF - Breakfasts Claimed on Non-serving Days	3	135	9	15					\$202.20	
TR - Breakfasts Claimed on Non-serving Days	1	48	3	17					\$74.24	
UF - Incorrect Claiming Rate Applied										
UF #112 and TR #192 - Claim Exceeds Attendance										
UF - No Attendance Records										
TR - No Attendance Records	2	2,725	105	302					\$3,996.94	
Breakfast Column Totals	20	3,670	175	419	348				\$5,422.68	\$410.64
Total Breakfast Overclaim										\$5,833.32

Summary Results:

		Ineligible Meals Claimed	Reclassified Meals Claimed	Total Excess Reimbursement	
				Ineligible	Reclassified
Errors Not Detected by Control Edit Checks	Lunch	7,633	1,420	\$14,800.24	\$2,725.20
	Break-fast	4,264	348	\$5,422.68	\$410.64
	Total	11,897	1,768	\$20,222.92	\$3,135.84
			13,665		\$23,358.76

Exhibit F - Food and Nutrition Service Response to the Draft Report

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United States
Department of
Agriculture

Date: May 7, 2004

Food and Nutrition
Service

Subject: Audit Report #27010-31-Hy; School District of Philadelphia (SDOP)
National School Lunch & Breakfast Programs

Mid-Atlantic Region

300 Corporate Blvd
Robbinsville, NJ
08691-1598

To: Rebecca Anne Batts
Regional Inspector General for Audit

This memorandum presents our response to the subject audit report. We have considered the State agency's (SA's) response in preparing our comments and proposed corrective action. We sent an electronic copy of the SA's response to Rocky LaMonaca on May 3, 2004 and are attaching a hard copy of that document. We are also attaching the SDOP's response to the draft audit report. Our comments have not considered the SDOP's response since we received it too late, given the May 7, 2004 deadline for commenting on the draft audit report.

Recommendation No. 1: Require the SA to direct the SFA to strengthen controls over the SFA's meal counting and claiming system by:

- a. Performing the required edit check that compares each school's daily count of free, reduced-price, and paid meals against the product of the number of students in the school times currently eligible for free, reduced-price, and paid meals times an attendance factor. For example, the SFA can compare the daily count within each category against each school's daily attendance records, which document each child's eligibility category and attendance and can be used to establish the maximum number of claimable meals, by category, each day;
- b. performing follow up at the school level regarding instances where more meals have been claimed than the count of students in attendance, by category, on any given day;
- c. correcting its claiming percentages for Universal Free sites; and
- d. limiting school claims to the lesser of counts submitted by the school or the edit check limiting count unless documentation is obtained to support the school's original count.

FNS Response: The SA has indicated that it requires all SFAs in the Commonwealth to sign the "Policy Statement Between the School Food Authority and the Pennsylvania Department of Education, Division of Food and Nutrition." Since this document requires the SFA to implement required edit checks and comply with federal program requirements the SA has fulfilled the audit recommendation. However, to reinforce program requirements with the SFA, we will direct the SA to execute another SA-SFA agreement for School Year 2004-2005, to be accomplished by July 31, 2004. Further, we will recommend to the SA that the SFA initial all pertinent provisions of the agreement that relate to the audit findings and recommendations. Specifically, we will

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of the Department of Agriculture

An Equal Opportunity Provider and Employer

recommend that the SA highlight provisions related to the above items: a. performing edit checks, b. performing follow up at the school level when more meals have been claimed than the count of students in attendance, by category, on any given day, and d. limiting school claims to the lesser of counts submitted by the school or the edit check limiting count unless documentation is obtained to support the school's original count.

Further, by July 31, 2004, FNS will extend the authority for the SDOP to continue the universal feeding pilot through School Year 2004 – 2005, pending the outcome of our work with the U.S. Census Bureau to identify an alternative methodology for developing claiming percentages. Our letter to the SA will advise that the SDOP's approval for this extension is contingent upon the use of correct claiming percentages. We will direct the SA to include such notification in its letter to the SFA.

Finally, the SA has indicated that in conjunction with FNS staff, it will be performing Coordinated Review Effort (CRE) work in Philadelphia during May 2004. In addition to the CRE work identified by the SA, FNS will perform an expanded review of the SFA's edit check procedures. We expect that work on the CRE, including the SFA's response, will be completed by January 31, 2005, and that work on a follow-up review, if necessary, will be completed by July 31, 2005.

We request management decision based on the above planned actions.

Recommendation No. 2: Require that the SA direct the SFA to implement adjustments to its claims for reimbursement subsequent to SY 1999/2000, as appropriate, and that FNS recover the excess reimbursements.

FNS Response: FNS is exploring the feasibility of this recommendation, given limited resources. We fully expect that there should be FNS and/or SA involvement in this process to ensure that it is performed correctly. We request further discussions with OIG concerning how this recommendation could be implemented.

Recommendation No. 3: Require that the SA direct the SFA to retain historical records of each student's monthly eligibility for meal service (free, reduced-price, or paid) for a period of three years, in accordance with 7 CFR § 210.23(c), and use the records to perform daily edit checks of Traditional site meal claims before submitting the corresponding monthly claim for reimbursement to the SA.

FNS Response: The SA indicated that the SFA adjusted its computer program to allow retrieval of eligibility records for any given month. In March 2002, the SA and FNS verified that this problem had been corrected in the buildings reviewed. In addition, we will direct the SA to highlight this requirement in its newly executed SA-SFA agreement for School Year 2004-2005.

We request management decision based on the above planned actions.

Recommendation No. 4: Validate that corrective actions reported by the SFA in response to reviews performed by FNS and the SA have been implemented and are effective.

FNS Response: We concur with the SA that it has exceeded federal review requirements for the SDOP. During our joint CRE of the SDOP in May 2004, FNS will focus on the issues identified by the audit and the efficacy of the SDOP's corrective action. We expect that work on the CRE, including the SFA's response, will be completed by January 31, 2005, and that work on a follow-up review, if necessary, will be completed by July 31, 2005.

We request management decision based on the above planned action.

Recommendation No. 5: Require that the SA follow up by performing on-site reviews, as determined necessary by FNS, to ensure that the SFA implements the required edit check and limits school claims to the lesser of meal count or the edit check limiting count and retains documentation supporting the accuracy of the original count. Questioned costs identified through this process should be recovered from the SFA, and testing should be expanded to determine the extent of errors in the event that additional noncompliance with the required edit check process is identified.

FNS Response: As documented in the annual Federal-State agreement, FNS requires that the SA comply with all program requirements, including those related to SFA monitoring. FNS will work with the SA during the CRE scheduled for May 2004 to evaluate the SFA's edit check procedures and to ensure the validity of the SFA's claims for reimbursement. If CRE work identifies violations exceeding performance standard thresholds, the SA has advised of its intent to perform follow-up work. We expect that work on the CRE, including the SFA's response, will be completed by January 31, 2005, and that work on a follow-up review, if necessary, will be completed by July 31, 2005. In addition, the SA has established a two-year review cycle for the SDOP based on the size of this SFA and in recognition of prior problems.

We request management decision based on the above planned action.

Recommendation No. 6: Direct the SA to follow procedures outlined in 7 CFR § 210.19(c) to recover the excess reimbursement of \$708,116 from the SFA.

FNS Response: We agree that it is appropriate to recover excess reimbursement. However, we also recognize the merits of the SA's suggestion to give the SFA the option of investing the excess reimbursement in a school district-wide computerized Point of Sale (POS) system. We believe this could be a long-term solution to the SFA's accountability problems. However, in addition to implementing a POS system, we believe the SFA's performance post-POS system implementation should be evaluated before a decision is made not to recover excess reimbursement.

Recommendation No. 7: Direct the SA to follow procedures outlined in 7 CFR § 210.19(c) to recover \$24,220 from our review of the SFA's meal claims and its edit check for November 2002 for the overpayment to be collected from the SFA.

FNS Response: We agree that it is appropriate to recover excess reimbursement. However, we also recognize the merits of the SA's suggestion to give the SFA the option of investing the excess reimbursement in a school district-wide computerized Point of Sale (POS) system. We believe this could be a long-term solution to the SFA's accountability problems. However, in addition to implementing a POS system, we believe the SFA's performance post-POS system implementation should be evaluated before a decision is made not to recover excess reimbursement.

Recommendation No. 8: Direct the SA to require that the SFA document attendance and meal count data for Traditional sites separately from Universal sites to ensure the accurate evaluation of claims in the edit check process.

FNS Response: FNS concurs with this recommendation and will provide clarification to the SA on the corrective action needed.

Recommendation No. 9: Require that the SA direct the SFA to modify its application processing instructions in the SFA's Policies and Procedures Manual to comply with Federal regulations by requiring that students with pending applications be considered eligible only for paid meals until eligibility for free or reduced-price meals is determined.

FNS Response: As noted on page 14 of the draft audit report, the SFA revised its policy effective September 2002. Also, the SA confirmed that the policy was revised. Accordingly, we request management decision for this recommendation.

Recommendation No. 10: Require that the SA direct the SFA to develop and implement internal controls to prevent schools from claiming for reimbursement free and reduced-price meals served to students whose applications have not been approved for such meals.

FNS Response: FNS and the SA evaluated the SFA's performance in this area during a March 2002 follow-up review. We found that free or reduced-price meals were not claimed unless an application had been approved. Accordingly, we request management decision for this recommendation.

Recommendation No. 11: Require that the SA routinely follow up with the SFA to ensure that the SFA is claiming free meals served only to those eligible for free meals.

FNS Response: FNS and the SA will follow up on this matter during the May 2004 CRE. We expect that work on the CRE, including the SFA's response, will be completed by January 31, 2005, and that work on a follow-up review, if necessary, will be completed by July 31, 2005.

We request management decision based on the above planned action.

Recommendation No. 12: Direct the SA to follow procedures outlined in 7 CFR § 210.19(c) to recover the excess reimbursement of \$185,560 from the SFA.

FNS Response: We agree that it is appropriate to recover excess reimbursement. However, we also recognize the merits of the SA's suggestion to give the SFA the option of investing the excess reimbursement in a school district-wide computerized Point of Sale (POS) system. We believe this could be a long-term solution to the SFA's accountability problems. However, in addition to implementing a POS system, we believe the SFA's performance post-POS system implementation should be evaluated before a decision is made not to recover excess reimbursement.


Recommendation No. 13: Require that the SA direct the SFA to improve its onsite monitoring system by implementing more effective controls to ensure the submission of accurate meal claims. These controls should include:

- a. sufficient time for monitors to perform the SA's monitoring requirements;
- b. ensuring that review forms used by monitors include all questions and assessments required by the SA;
- c. testing meal counts for the SA-required number of days;
- d. obtaining accurate and complete attendance and meal count data to perform an accurate assessment of the meal counting system;
- e. testing, as one unit on the same day, schools with more than one feeding site; and
- f. ensuring that monitors are instructed to consider pending applications for free or reduced-price meals as eligible only for paid meals.

FNS Response: We concur that the SFA needs to improve its onsite monitoring system. FNS and the SA will develop specific recommendations for the SFA in conjunction with the May 2004 CRE. We expect that work on the CRE, including the SFA's response, will be completed by January 31, 2005, and that work on a follow-up review, if necessary, will be completed by July 31, 2005.

We request management decision based on the above planned action.

Thank you for the opportunity to comment on the draft audit report. If there are any questions, please contact Marie Weingart at (609) 259-5105.


JOHN CHANDLER
Acting Regional Administrator
Mid-Atlantic Region

Attachments

**RESPONSE TO DRAFT AUDIT REPORT
OF THE PHILADELPHIA SCHOOL FOOD AUTHORITY**

**PENNSYLVANIA DEPARTMENT OF EDUCATION
DIVISION OF FOOD AND NUTRITION**

The State Agency (SA) recognizes the following:

- The scope of the Office of Inspector General (OIG) audit of the School District of Philadelphia (SDOP) surpasses the requirements of on-site Coordinated Review Effort/School Meals Initiative (CRE/SMI) reviews performed by the SA, Division of Food and Nutrition, mandated by the United States Department of Agriculture, Food and Nutrition Service (USDA-FNS).
- Whereas the SA and USDA-FNS, in partnership, have devoted the time and expertise of eight to ten FTEs to conduct timely CRE/SMI reviews of the SDOP, in full compliance with federal regulations, the OIG, due to extenuating circumstances, has been forced to utilize four years of intermittent staff time to complete their audit and issue a draft audit report.
- The OIG draft audit report recommends that USDA-FNS direct the SA to respond to audit report Findings, by further directing the SFA (SDOP) to comply with OIG recommended corrective action. The SA is committed to discussing OIG recommendations for corrective action with USDA-FNS and the SDOP.

The SA further responds to all OIG audit report Findings as follows:

Finding 1:

During SY 1999-2000, the SFA claimed 241, 852 meals in excess of students in attendance and claimed 147, 954 meals in the incorrect category. This occurred, in part, because the SFA's operating policies and procedures did not comply with federal regulations requiring an average daily attendance to meal count edit check, by category, by school, to provide reasonable assurance that each school was not claiming more meals served than students in attendance, by category. As a result, the SFA received excess reimbursement of \$654,935.

In addition, a review of November 2002 data, found that the SFA had still not properly implemented the required edit check. This resulted in an additional overclaim of \$23,359.

Recommendation No. 1

Direct the SFA to strengthen controls over the meal counting and claiming system by:

- a. Performing the required edit check that compares each school's daily count of free, reduced-price, and paid meals against the product of the number of students in the school currently eligible for free, reduced-price and paid meals times an attendance factor.
- b. Performing follow up at the school level regarding instances where more meals have been claimed than the count of students in attendance, by category, on any given day.
- c. Correcting the SFA's claiming percentages for Universal Free sites.
- d. Limiting school claims to the lesser of counts submitted by the school or the edit check limiting count unless documentation is obtained to support the school's original count.

SA Response

The state agency requires all SFAs in the Commonwealth to sign the "Policy Statement Between the School Food Authority and the Pennsylvania Department of Education, Division of Food and Nutrition." The Policy Statement requires the SFA to implement the required edit checks according to CFR 7, 210.8 (A) (3) and comply with federal regulations for the National School Lunch, School Breakfast, and Special Milk Programs.

- a. This was also a finding in the review of the SFA that was conducted by the state agency and USDA in March 2001. The SFA agreed with the finding and revised the edit check worksheet to include a comparison of the number of meals claimed by category against the number of eligible children multiplied by an attendance factor.

In March 2002, a follow-up review of the SFA was performed by the state agency and USDA. During this review, we verified that the SFA was performing the required edit check in the buildings reviewed that compares each school's daily count of free, reduced-price, and paid meals against the product of the number of students in the school currently eligible for free, reduced-price and paid meals times an attendance factor.

Another review of the SFA by the state agency and USDA staff will be completed in May 2004. During this review, both agencies will verify that edit checks are being performed in accordance with federal regulations in school buildings reviewed.

- b. The state agency will again communicate to the SFA the requirement to perform follow up at the school level regarding instances where more meals have been claimed than the count of students in attendance, by category, on any given day. The state agency and USDA will verify that this is being done during the review of the SFA that is scheduled in May 2004.

- c. During the review of the SFA that is scheduled in May 2004, the state agency and USDA staff will verify that the correct claiming percentages were used for Universal Free sites in school buildings being reviewed.
- d. The state agency will require that the SFA limit school claims to the lesser of counts submitted by the school or the edit check limiting count unless documentation is obtained to support the school's original count.

Recommendation No. 2

Require the SFA to implement adjustments to its claims for reimbursement subsequent to SY 1999-2000, as appropriate, and recover the excess reimbursements.

SA Response

The state agency and USDA conducted reviews of the SFA in March 2001 and March 2002. As appropriate, claims for reimbursement were adjusted as a result of these reviews.

Recommendation No. 3

Direct the SFA to retain historical records of each student's monthly eligibility for meal service (free, reduced-price, or paid) for a period of 3 years and use the records to perform daily edit checks of Traditional site meal claims before submitting the corresponding monthly claim for reimbursement to the SA.

SA Response

This was also a finding in the review of the SFA that was conducted by the state agency and USDA in March 2001. During the review we found that we could not evaluate changes in eligibility status throughout the year because the SFA overwrote its computerized monthly eligibility records with new data.

At the direction of the SA, the SFA adjusted its computer program to allow retrieval of eligibility records for any given month. During the review of the SFA that was conducted by the state agency and USDA in March 2002, we verified that this problem had been corrected in the buildings reviewed.

Recommendation No. 4

Validate that corrective actions reported by the SFA in response to reviews performed by FNS and the SA have been implemented and are effective.

SA Response

By conducting a CRE/SMI review of the SFA in May of 2004, the SA has exceeded federal review requirements. In accordance with federal regulations, the SA will do a follow-up review if the SFA is found to have a critical area violation in excess of review thresholds. During the May 2004 review, the state agency and USDA staff will verify that corrective actions reported by the SFA in response to reviews performed by USDA and the state agency have been implemented and are effective in the buildings reviewed.

Recommendation No. 5

Require that the SA follow up by performing onsite reviews to ensure that the SFA implements the required edit check and limits school claims to the lesser of the meal count or the edit check limiting count and retains documentation supporting the accuracy of the original count.

SA Response

During the review that is scheduled in May 2004, the state agency and USDA staff will verify, in school buildings reviewed, that the SFA is performing on-site reviews, as required by federal regulations, that schools are performing the required edit checks, and that the SFA is promptly following up through phone contact, on-site visits or other means when the number of meals claimed exceeds the number of attendance-adjusted eligibles.

Recommendation No. 6

Direct the state agency to recover the excess reimbursement of \$654, 935 from the SFA.

SA Response

The state agency proposes an alternative to this Recommendation. We believe that the SFA should be provided the choice to either invest excess reimbursements in the procurement of a school district wide computerized Point of Sale (POS) system or return the excess reimbursement utilizing a timeline agreed to by the state agency, USDA, and the SFA. We suggest that the implementation of a POS system will significantly reduce instances of inappropriate meal counts due to human error.

Recommendation No. 7

Direct the state agency to recover the excess reimbursement of \$23,359 from the SFA.

SA Response

The state agency proposes an alternative to this Recommendation. Again, we suggest that the SFA be allowed to invest excess reimbursements in a Point of Sale (POS) system.

Recommendation No. 8

Require the SFA to document attendance and meal count data for Traditional sites separately from Universal sites to ensure the accurate evaluation of claims in the edit check process.

SA Response

The state agency will discuss this Recommendation with USDA-FNS and the SFA.

Finding 2:

The SFA claimed 109,778 more free and reduced-price meals than could be supported by approved applications and direct certifications at Traditional schools. This occurred primarily because the SFA's operating policy allowed applicants to be considered eligible for free and reduced-price meals upon receipt of the application rather than when the application was approved, and because of counting errors occurring at the schools. As a result, the SFA received excess reimbursements of \$189,130.

Recommendation No. 9

Direct the SFA to modify its application processing instructions in the SFA's Policies and Procedures Manual to comply with federal regulations by requiring that students with pending applications be considered eligible only for paid meals until eligibility for free or reduced-price meals is determined.

SA Response

This was also a finding in the review of the SFA that was conducted by the state agency and USDA in March 2001. This problem occurred because of the delay in approving applications for free and reduced-price meals at the SFA level. The SFA has since revised its policy to allow applications for free and reduced-price meals to be approved at the school level within federally-approved time frames.

Recommendation No. 10

Require the SFA to develop and implement internal controls to prevent schools from claiming for reimbursement free and reduced-price meals served to students whose applications have not been approved for such meals.

SA Response

During the follow up review of the SFA that was conducted by the state agency and USDA in March 2002, we verified that no meals were claimed in the free or reduced-

price category until after the application for free and reduced-price meals had been approved.

Recommendation No. 11

Require that the state agency routinely follow up with the SFA to ensure that the SFA is claiming free meals served only to those eligible for free meals.

SA Response

During the May 2004 review, the SA will follow-up to ensure that the SFA is claiming free meals only for those children eligible for free meals in the buildings reviews.

Recommendation No. 12

Direct the State agency to recover the excess reimbursement of \$189,130 from the SFA.

SA Response

The state agency proposes an alternative to this Recommendation. Please refer to SA Responses to Recommendations to recover excess reimbursements above.

Finding No. 3:

The SFA did not effectively monitor the NSLP and SBP meal counting and claiming systems to ensure accurate meal claims during SY 1999-2000.

Recommendation No. 13

Direct the SFA to improve its on-site monitoring system by implementing more effective controls to ensure the submission of accurate meal claims.

SA Response

The state agency will communicate to the SFA the requirement to improve its on-site monitoring system once FNS and the SA have discussed and agreed upon monitoring system criteria.